

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 DRC-01 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00

XMB-07 OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 STR-08

CEA-02 /167 W

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R 051357Z SEP 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 0087

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

C O N F I D E N T I A L BEIRUT 10674

KUWAIT PASS DOHA

E.9. 11652: GDS

TAGS: EFIN, LE

SUBJECT: FATE OF LICENSES OF BANKS NOW IN LIQUIDATION

1. A CONTROVERSIAL ISSUE HAS ONCE MORE SURFACED EVEN THROUGH IT WAS ALLEGEDLY SETTLED FOUR YEARS AGO. IT COONCERNS THE FATE OF THE LICENSES OF TEN (10) BANKS TAKEN OVER BY THE QUASI-GOVERNMENTAL BANK FOR AGRICULTURE AND REAL ESTATE INVESTMENT (BCAIF) FOR PURPOSES OF LIQUIDATION. ACCORDING TO THE ALLEGED SETTLEMENT (AT LEAST AS CLAIMED BY POWERFUL AND INFLUENTIAL LEBANESE BANKERS ASSOCIATION) THE LICENSES OF THE BANKS CONCERNED WERE TO BE CONSIDERED ANNULLED.

2. IN FACT, THE SETTLEMENT IS NOT ALL THAAAT CLEAR
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AND THE ISSUE HAS BEEN RAISED SEVERAL TIMES BEFORE.

THE NUMBER OF BANKING LICENSES IS RESTRICTED BY LAW AND THE SUDDEN AVAILABILITY OF 10 MORE WOULD, OF COURSE, DEFLATE THE PRICE OF EXISTING LICENSES WHICH HAS RISEN FROM ABOUT LL 350,000 TO LL 7.5 MILLION IN A LITTLE OVER TWO YEARS' TIME.

3. SO FAR THE BANKERS ASSOCIATION HAS BEEN ABLE TO PUT THE LIDE ON EACH TIME, BUT WHAT MAKES THE PRESENT SITUATION MORE SERIOUS IS THAT THE MOVE TO REVIEW THE ISSUE HAS BEEN MADE BY THE LEBANESE GOVERNMENT. MORE-OVER, WE UNDERSTAND THAT THE REASON FOR THIS MOVE IS PRESSURE COMING NOT FROM PRIVATE INDIVIDUALS (WHICH THE ASSOCIATION COULD PROBABLY CONTROL) BUT FROM SOME OF THE GULF STATE GOVERNMENTS DIRECTLY, STATES WHICH THE GOL FOR A NUMBER OF REASONS IS TRYING VERY HARD TO PLEASE.

4. AT THIS STAGE IT IS DIFFICULT TO DETERMINE HOW THINGS WILL TURN OUT. WORKING AAGAINST THE BANKERS ASSOCIATION (AND WEAKENING ANY DESIRE ON THE GOL'S PART TO RESIST THESE GULF STATE REQUESTS) IS THE FACT THAT A PRECEDENT HAS ACTUALLY BEEN SET, ALTHOUGH THIS IS NOT TOO WELL KNOWN SO FAR. THE PRECEDENT CONCERNS A REQUEST MADE SOME TIME AGO BY THE SYRIAN GOVERNMENT TO OPERATE A BANK HERE. AS THE SYRIANS WERE APPARENTLY TYING IN RECEIPT OF A BANK LICENSE WITH NUMEROUS LEBANESE DESIDERATA (AMONG WHICH THE REOPENING OF THE LEBANESE-SYRIAN BORDER), A LICENSE WAS CEDED ON THE PRETEXT THAT IT BELONGED TO A BANK HAVING CERTAIN SYRIAN CONNECTIONS. THE REASONING USED APPEARS TO BE QUITE DUBIOUS FROM A LEGAL POINT OF VIEW AND MIGHT WELL EVENTUALLY PROMPT THE INTERESTED GULF STATES TO ASK WHY THE GOL CANNOT DO FOR THEM WHAT IT HAS APPARENTLY ALREADY DONE FOR SYRIA.
GODLEY

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